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BEFORE THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM 1959

No. 181

GEORGE L. ATHERHOLT, JR.,
Petitioner,

vs.

A. & C. ENGINEERING COMPANY,
A Michigan Corporation,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE MICHIGAN SUPREME COURT

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TO: The Honorable, the Chief Justice and the Associate Justices of the Supreme Court of the United States:

Petitioner, George L. Atherholt, Jr., defendant and appellant below, respectfully prays that a writ of certiorari issue to review the judgment of the Supreme Court of the State of Michigan affirming the decree of Circuit Court for the County of Genesee, State of Michigan, requiring petitioner to assign his interest in patents and applications for patents.

OPINION BELOW

Judgment of the Supreme Court of the State of Michigan contained in its opinion filed April 13, 1959, affirming the decree of the Circuit Court for the County of Genesee, State of Michigan is appended.

JURISDICTION

The jurisdiction of this Court is invoked under Title 28 *U. S. C.*, Section 2101 (c).

The judgment of the Supreme Court of the State of Michigan was filed April 13, 1959, and has not been complied with pending this application for a writ of certiorari.

QUESTIONS PRESENTED

I.

Does a state court have jurisdiction to determine ownership of a patent where one of two joint patentees in sworn bill of complaint alleges that only one of two joint patentees was in fact the inventor?

II.

Does a state court have jurisdiction to determine ownership of a patent where plaintiff corporation's bill of complaint against a joint patentee is sworn to by the other joint patentee who is also plaintiff corporation's secretary and, where the corporation secretary's allegation that he was "sole inventor" is amended upon conclusion of plaintiff's proofs to delete words "sole inventor" so as to read he "conceived the basic principle" of the tool which was patented?

STATUTES INVOLVED

The fundamental law of the United States of America applicable to patents is contained in article one, section seven, clause eight of the federal constitution:

> "The Congress shall have power * * * to promote the progress of science and useful arts, securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries;"

Under the authority of this constitutional provision, the federal congress has enacted law contained in the United States Code under Title 35, establishing the Pat-

ent Office and providing among other things for its determination of the patentability of inventions (§102) and the granting of letters patent (§101) and also for appeals from its decisions to federal courts (§145). Part three of Title 35 covers patents and the protection of patent rights. Chapter 26 of part three deals with ownership and assignments. Provision is made for amendment and correction of patent applications (§255) for misjoinder of inventors (§256) and for a presumption of the patent's validity (§282).

Section 111 of Title 35 of the United States Code provides that applications for patents shall be made by the inventor. Section 115 provides for an oath to be taken upon making the application and Section 116 provides for the taking of the oaths by joint inventors. As set forth above Sections 255 and 256 provide for correcting errors made in applications. (See appendix).

In addition, Title 28, Section 1338 (a) was enacted June 25, 1948, continuing with no material change the law prior to that time. It read at all times complained of in the instant case as follows:

> "The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases."

STATEMENT

This case concerns a bill in equity filed by respondent corporation on August 13, 1956 to procure a decree requiring petitioner, George L. Atherholt, Jr., to assign his rights in patents and patent applications and in a trade name to the respondent. Issue was joined by an answer filed September 13, 1956 denying right to relief requested as to the patents and admitting the trade name belonged to respondent.

The gravamen of respondent's claim for relief was contained in paragraph III of its bill of complaint which read as follows:

"That in the year 1952, and prior thereto, George L. Atherholt, Sr. became the inventor of a certain tool known as the hydrostatic holding device, for which a patent application was made to the U. S. Patent Office, said application being signed by George L. Atherholt, Sr. and George L. Atherholt, Jr. That said invention was made, their patent application filed and the aforesaid partnership was in existence then and both parties were in the employ of the partnership. That subsequently, a patent was issued under date of May 6, 1956, No. 2,744,756. That all the development work was performed and paid for by the partnership and all expenses in applying for and obtaining the patent were paid for by the partnership."

At the opening of the trial before the Circuit Court for the County of Genesee a motion was made to dismiss the bill of complaint for want of state jurisdiction and is recorded on page 4 of the trial transcript as follows:

"MR. DEAN: Your Honor, I wish to call attention to the statement in the pleadings, in paragraph III, in which the sworn bill of complaint, the officers of the A & C Engineering Company, including George L. Atherholt, Sr., allege that George L. Atherholt, Sr., became an inventor of a certain tool which was patented in the names of George L. Atherholt, Sr., and his son, George L. Atherholt, Jr. It is our claim as to any claim for relief in this bill of complaint relative to a patent that they are alleging facts which would set up an invalid patent, or make it void, and that the Federal Courts have exclusive jurisdiction over this matter, and that it would not be a proper subject matter of a suit in this Court, and therefore as to that portion of the relief prayed for, I move it be dismissed.

THE COURT: Well, in reviewing the pleadings, I see by paragraph III, the answer, the issue is joined upon that point, and therefore the motion will be denied."

At the conclusion of respondent's proofs, its bill was amended at page 221 of the trial transcript (page 183a of the joint appendix filed on appeal to the Michigan Supreme Court) as follows:

"MR. CLINE (Respondent's Counsel below):

* * *

And if the Court, please, we would further like to amend Paragraph III of the Plaintiff's bill of complaint to read: 'That in the year 1952 and prior thereto, George L. Atherholt, Sr., conceived the basic principle of a certain tool known as a "hydrostatic holding device" for which the patent application was made to the U. S. Patent Office,' and the rest of the paragraph remain as contained in the bill of complaint.

MR. DEAN (Petitioner's Counsel below):

* * *

We do object to the proposed amendment to Paragraph III for the reason that the jurisdiction to determine the validity of the patent is peculiarly reserved to the Federal Courts, and I believe, within the administration of a Patent Office it is possible to apply for an amendment if the patent application had been improperly applied for and a patent had been issued to people who are not the inventors that you can do that within the Patent Office, or you could file a suit in Federal Court to enjoin the right to use the invention on the grounds one person was the sole inventor, but I do not believe that issue could be determined in this State Court.

THE COURT: The amendments may be made."

The trial proceeded and testimony was taken relative to the question of fact as to who was the actual inventor.

At the conclusion of the proofs, the Court entered its decree requiring petitioner to assign his interest in the patents and applications to respondent and in its opinion said:

"Defendant's assertion that this Court has no jurisdiction over the subject matter of this suit is without merit. Actions to determine ownership rights, and

particularly the assignment of patent rights, are governed by equitable principles. The rights in issue here call for the recognition and application of general equitable principles and do not arise under the statutes granting patent rights."

The Supreme Court of the State of Michigan upheld the trial court in its decision on jurisdiction and affirmed the decree in its opinion set forth in the appendix.

The federal question as to jurisdiction has been preserved.

REASONS FOR GRANTING WRIT

I.

We are dealing here with a specific and express reservation by Federal Statute to the Federal Courts of certain subject matters. For the questions here the key words of the statute are "arising under".

Upon examination of paragraph III of plaintiff's bill of complaint we find that the patent which is the principal subject matter of this suit and which was issued to two joint inventors by the Patent Office is claimed to be the invention of a single individual, George L. Atherholt, Sr. who was an officer of the corporation plaintiff, and signed the complaint under oath. It is petitioner's position that this allegation relied upon by plaintiff for relief makes this case one arising under the patent laws.

The precise questions raised are of substance and have not been determined by this Court. The implications of the Michigan State Court's assumption of jurisdiction are serious not only to this litigant but to all patent holders and the economic life of our country.

In *James Ferry Company, Inc. vs. Atlantic Const. Co.*, 60 F. 2d 564, a person signing an application for a patent as being the joint invention of himself and another tried to invalidate the patent on the ground that it was not a joint invention. The Federal District Judge wrote as follows:

"Defendants attack the validity of the patent on the ground that it is not a joint invention of the patentees. The patent is prima facie valid. The de-

fendant Miller signed the application, and swore to the facts set forth therein before a notary public, on December 18, 1925, and should not, at this time, be permitted to invalidate the patent on this ground, unless the showing of fact is overwhelmingly convincing. The evidence does not satisfy me that Miller's contentions are in any way sustained. As a matter of fact, I am satisfied from the evidence that the invention was the result of the joint efforts of the parties. The contribution of Ferry may not have been as great as that of Miller, but I am satisfied that the patent was legally issued to both parties."

The attempt to void the patent must, however, be made in federal courts in an interference proceedings initiated before the Board of Interference Examiners, as in the case of *Carter vs. Kellgren*, 166 F. 2d 592, or under the provisions of the Code for correcting and amending the patent.

It was especially harmful to the rights of petitioner to proceed to trial on the present bill. This injury arises from the want of jurisdiction in that under this complaint one of two joint patentees was permitted to give evidence invalidating a United States Patent in an equitable proceedings in a State Court.

In addition the alleged "sole inventor" was in the position of having signed an oath to the patent office to obtain a patent and, after having received a grant of patent jointly with another predicated an equitable action on behalf of a corporation of which he was an officer, to obtain in a state court a forced assignment of the entire patent. His claim now is inconsistent with the claim he made earlier to the Federal Patent Office. As a joint patentee he should be required to assert such allegations in a direct attack upon the patent in the Patent Office and not be permitted to use his self-serving claims to bolster title in still a third party in the forum of a State Court.

Patents are not obtainable as a matter of course. The applicant must present his invention to the Patent Office, satisfy that office that it is indeed an invention, that he has adequately described it, and that he has clearly marked

out the area in which he asserts exclusive rights. If he does not satisfy the Patent Office, the application is denied without being disclosed to the public and everyone is in the same position as before. If the Patent Office is satisfied, the inventor gets his patent. It does not follow that it is a good patent. Under the law it is merely "prima facie" valid and is subject to attack in the Patent Office and Federal Courts on numerous grounds.

A patent, or properly a letter patent, is an open letter addressed to all whom it may concern.

It is the grant by the United States to the inventor of a right in his own invention from which all other persons, so long as the grant runs, are excluded. By statute this right is defined as the right to make, use and vend. Joint inventors have equal rights to make, use and vend.

A patent is given for an invention. It follows that an accurate definition of the invention is essential to the issue of the patent. The invention needs to be sharply separated from all that is the previous art, all that as yet has not been found out, all that is not the invention. The task is like that of defining a real property, yet of far greater difficulty. Any area can be divided into personal desmesnes by the drawing of precise lines. A private holding in a technological field is not so easily marked off. The land was there all the time ready to be divided; the claim is supposed to encompass something which was not there before. The land to which title is taken requires nothing more than to be marked off: the invention needs to be disentangled from the useful art out of which it is sprung. At times land law presents its perplexities; to stake out an exact claim in the public domain of technology is a difficult task requiring specialization.

It is, in fact, an invitation to headache for the law to undertake to separate by precise lines the novelty from everything else which makes up the useful art of which it has just come to be a part. The new comes out of the old; the inovation emerges out of what has been established. An idea may, as the "next step", be inevitable or within the reach of only the extraordinary man. An idea, familiar to one art, may be brought as a stranger to another one. Is it invention to make explicit what is implicit? Is it invention to borrow from one useful art

to enrich another? What if familiar elements are thrown into unfamiliar combinations? What if there are severe limits to the number of permutations and the inventor tries them all until he has hit upon the right one? What if familiar processes are adopted to unknown uses?

There is in technology now and then a leap, a break with what has gone before, which is sharp and great. But for the most part the useful arts move along by steps, often so gradually that not a single step stands out sharply. An art moves with the accumulated forces of all that lies behind it; in our age it moves with accelerated speed.

The United States postulates an inventor, or inventors. The patent is taken out in the name of a particular person or persons. The Patent Office takes the inventor on faith; it does not — unless two persons are laying claim to the same invention — go back of the statements made in the application. An examination of the oath required to be executed for each United States patent application reveals that the applicant must make oath that: "he (or they) verily believes himself (or themselves) to be the original, first and sole (or joint) inventor." Under the United States law, an applicant is the flesh and blood inventor, and patents are not issued (other than by assignment) to corporation, partnerships, or other legal-fiction entities.

The bland claim in paragraph III of respondent's bill of complaint that George L. Atherholt, Sr. had "become the inventor of a certain tool" would, if sustained here, negate the whole reason for existence of the Federal Patent Office. This governmental agency has specialized in wrestling with the problem of what is knowledge and how is the store of human knowledge increased as it relates to the precise questions: Should or should not this patent issue? Is there "invention"? Which of two contenders is the inventor?

Without denigrating the courts of the fifty states, is not the petitioner herein entitled to have these questions decided by the forum created for that very purpose?

Petitioner asserts that the denial of the proper forum has resulted in his being illegally stripped of a valuable property right assured him by the Federal law.

Just as we have a multitude of other departments and commissions which have emerged from the complexities of modern civilization to take care of recurrent special questions and problems about which there are general similarities, so do we have the federal legislation pertaining to misjoinder of inventors and correction of patents.

The legislators can do little however with the difficult tools of arbitrary rules unless the spirit of the courts is to recognize that, at least as to remedies, some rules are necessary. Where should the rule bend? When should the line be drawn?

One general answer seems to be that the appropriateness of the forum must be determinable on demurrer, and so must depend on the character of the initial pleading, as to whether the power of the court is invoked:

The "incidental and collateral rule" permits the state courts to retain jurisdiction when the defense injects a question from those instances where a plaintiff raises a question arising under the patent laws. If the party starting the action raises a question arising under the patent laws, then it is a case arising under the patent laws and only the federal courts have jurisdiction. The same issue can be and is raised by defendants and it is thereupon solemnly determined that the case has already arisen and it wasn't under the patent laws and if the defendant thinks it should be, he is mistaken for the issues he raises are merely "incidental and collateral" to plaintiff's case. (See *Pratt vs. Paris Gas Light & Coke Company*, 168 U. S. 255, 1897).

In the case at bar, plaintiff's initial pleadings set up a cause of action over which no state court has jurisdiction.

Another and better answer for this case is contained in *United States vs. United States Gypsum Co.*, (53 F. Supp. 889, 1943) wherein the federal government attempted to attack the validity of a patent in an anti-trust suit. It was held that the United States acts in its sovereign capacity in issuing patents under constitutional and statutory provisions and may not repudiate patents issued by it, nor ask courts to do so, except for fraud in obtaining patents. The Court said:

"The cases principally relied upon by the Government under this aspect of its argument — *Pratt vs. Paris Gas Light & Coke*, 1897; *Becher vs. Contoure Laboratories, Inc.*, 1929; (cited above) *United States vs. Bradford*, (C.C.E.D. La. 1905, 148 F. 413, affirmed per curiam, 5 Cir., 1906, 152 F. 616, certiorari denied 1907, 206 U. S. 563, 27 S. Ct. 795, 51 L. Ed. 1190) — do not answer these questions. The first two of these three cases correctly hold that, although a court does not having primary authority to deal with a question of patent invalidity, it may nevertheless determine such a question in a case in which it otherwise has power over the subject matter and parties. And all three of the cases correctly decide, stating their holdings in general terms, that a court may incidentally determine a question of fact in a case in which the court has primary jurisdiction of the subject matter and parties even though it might not have authority to make such determination in a direct suit for that purpose. But obviously these cases do not decide the question involved in the instant motion to strike because in none of them was the incidental question raised by the very person whose action was being questioned. In *Pratt vs. Paris Gas Light & Coke Company* the attack was made by the defendant, a private party, and the same is true in *Becher vs. Contoure Laboratories, Inc.* In neither case was the Government seeking to repudiate and asking the court to review the Government's own action in the issuance of the patent."

And earlier in the same opinion (page 895):

"The question is not really one of estoppel, which assumes a right but forbids its exercise. The question is a deeper one — whether the Government, having once issued these patents through the Commissioner of Patents has any authority founded upon statute, case or principle to repudiate its own action in so doing, or whether the courts have power, at the instance of the Government, to review the action

of the Commissioner, in issuing the patents, in the absence of a charge of fraud in the obtaining of the same."

And later (page 899):

"The attack upon the validity of the patent * * * involves a breach, as between the Government and the patentees and those dealing with the patentees, of the Government's grant. In issuing the patents through the Commissioner the Government 'upon due examination * * * adjudged (the claimants) to be justly entitled to a patent under the Law' and thereupon made a solemn grant."

Certainly what the United States Government cannot ask to be done in Federal Court relative to one of its patents, the patentees should not be permitted to ask in state court. The proper machinery is available to both. Let it be used.

II.

It is petitioner's position that the amendment made upon conclusion of plaintiff's case was meaningless in the context of its bill of complaint. Plaintiff's case is not bottomed on a cause arising ex delicto. There is no allegation that the defendant violated a trust or stole an idea. The contrary is true. The person who at the outset of the trial claimed to be the sole inventor, and who now by amendment of the plaintiff corporation's bill is claimed to have "conceived the basic principle" of the tool which was patented, is the same person who in the pleadings executed a joint application for patents, not once but on five occasions over a period of two years.

The amendment is a distinction without a difference, a mere play on words with no utility in analyzing the issues here involved.

What does being a sole inventor imply in distinction to having conceived the basic principle of a device?

It has been held in the past that "A conception of the mind is not an invention until represented in some physical form. (*Clark Thread Co. vs. Willimantic Linen Co.*, 140 U. S. 481, 489)".

It is a question whether the United States Supreme Court in the Clark Thread case meant to imply the inventive act consists of two elements, or acts, one mental, and the other physical. Invention when spoken of colloquially may mean either the act of finding out, or inventing; or it may mean that which is invented. In the Clark Thread case, the court said: "It is evident the invention was not completed until the construction of the machine." This coupled with the statement of the court that "A conception of the mind is not an invention until represented in some physical form" might imply that the court was referring to invention, subjectively, — to the inventive act, and not, objectively, to the result of the inventive act or to that which was invented. It would seem, however, that the decision could only be reconciled with other decisions of the court presently referred to, by considering that the court in the Clark Thread case was referring to invention, objectively, — to that which was invented. If looked at in this sense it might well be that an invention could not be recognized as a patentable invention until it had been reduced to practice, or evidenced in some physical form, but such conclusion is not saying that the inventive act itself might reside solely in mental concept.

That invention is considered to reside in mental concept, and not in mental concept coupled with its representation in some physical form, is shown by the court in 289 U. S. 178 (*The United States of America vs. Dubilier Condenser Corporation*, 1933, 85 ALR 1488):

> "Though the mental concept is embodied or realized in a mechanism or a physical or chemical aggregate, the embodiment is not the invention and is not the subject of a patent."

That invention is a mental concept is further emphasized by the United States Supreme Court in the case of *R. C. A. et al vs. Radio Engineering Laboratories, Inc.*, (293 U. S. 1). This was a suit between rival claimants, DeForest and Armstrong, for certain mechanism employed in the art of radio. DeForest had made the mechanism and tried it out, but Armstrong contended that De-

Forest had not made the invention before he (Armstrong) had made it, on the ground that DeForest did not appreciate what he had done. DeForest denied this, backing up his explanation by saying that he did know. Among other things the court said:

> "These explanations, (meaning the explanations of DeForest) even if not wholly convincing, are not so manifestly inadequate as to lead us to say that the conception of the oscillator as a generator of radio frequencies has been proved in any clear or certain way to have been developed and applied by Armstrong before it was born in DeForest's mind."

Thus the authorities indicate that invention, when looked at subjectively, the inventive act, is wholly mental, residing in mental concept.

The mental concept is that of a new and useful result inclusive of the mode of its physical attainment. The physical attainment is not that of a new and useful result conceived of reduced to practice, but as a mode of physical attainment, it forms a part of, or is included in, the mental concept.

Reduction to practice may assist in evidencing an invention: it may demonstrate the practicability or usefulness of an invention, such as a process, machine, manufacture, or composition of matter. It may in an interference between rival inventors be a prerequisite, especially in points of diligence to the grant of Letters Patent. Reduction to practice, however, though actually performed, forms no part of the inventive act any more than does filing of an application for Letters Patent, which constitutes a "constructive reduction to practice", form a part of the inventive act. (See generally: *A Definition of Invention* by John E. R. Hayes, Lew A. Cummings Co., Manchester, New Hampshire).

It is petitioner's claim that the amendment upon completion of plaintiff's proof affected no change in the pleadings and all of the grounds contained in part one of this statement of reasons why a writ of certiorari should be granted are valid whether the bill of complaint is examined before or after amendment.

Petitioner urges that the issue of the validity of the patent was not raised incidentally, collaterally or "obliquely".

Petitioner asserts that respondent's direct attack upon the validity of the patent ousted the state court of jurisdiction. The state court erred in refusing to dismiss the bill and in its reception of evidence on matters outside its jurisdiction which affected its decision on the merits of other claims of respondent which were justiciable in a state court. If the state court had rejected respondent's attempt to directly attack the validity of the patent, the petitioner may well have prevailed upon the other issues raised by respondent in the state court. As another possible consequence of dismissal, petitioner would have had his day in the proper forum: the United States Patent Office or the Federal District Court.

CONCLUSION.

For the reasons herein stated, it is respectfully submitted that this Court should grant its Writ of Certiorari to review the judgment of the Supreme Court of Michigan in this matter.

Respectfully submitted,

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APPENDIX A

STATE OF MICHIGAN
SUPREME COURT

A & C Engineering Company,
a Michigan Corporation,
Plaintiff and Appellee,
vs. Cal. No. 47,120

George L. Atherholt, Jr.,
Defendant and Appellant.

BEFORE THE ENTIRE BENCH

VOELKER, J.

This case concerns a bill in equity filed by plaintiff-appellee, A & C Engineering Company, on August 13, 1956 praying that it be decreed the sole owner of certain patent rights and patent applications and of the trade name "Hydra-lock" and that the defendant be required to assign to it his interests therein. In answer defendant admitted that the trade name belonged to the plaintiff but denied its right to the remainder of the relief requested.

Prior to 1952 A & C Engineering Company was owned and operated as a joint partnership by George L. Atherholt, Sr., and John A. Coletti. The partnership's business consisted primarily of designing certain fixtures, jigs, gauges, and special machinery for various automobile manufacturing companies. Defendant, George L. Atherholt, Jr., son of the above-named Atherholt, was employed by the partnership in a combination sales, design and managerial capacity. For convenience, we shall occasionally refer to the father and son as Senior and Junior.

In January of 1952 Senior saw a mechanical arbor in operation and thereupon conceived the basic idea for a hydraulically operated arbor. To protect his idea he wrote a letter to himself outlining the idea for the arbor and enclosed it, together with a sketch and a drawing illustrating the arbor, in an envelope which he sent by registered mail to himself. That letter was kept in plaintiff's

file unopened and was ultimately opened in court during the trial. After writing the letter Senior discussed the idea with his son, the defendant, and they, with the help of other employees, began to develop it.

The development of the arbor took several years, and much company money, and in the process a successor partnership was formed which consisted of the original partners and the defendant. Later the 3 men formed the present plaintiff corporation, defendant's interest being limited to 15%, which succeeded to the interests of their partnership. Ultimately the arbor was completed and patented, with Senior and the defendant listed on the applications and the letters patent as joint inventors. Senior, pursuant to an alleged oral agreement between the parties, assigned his interest in the patent to the corporation, but defendant has refused to so assign. This suit was brought to establish the true ownership of the patent and to require the defendant to assign his interest therein. Prior to the instigation of this suit the defendant quit working for the corporation, sold his interest therein to his father, and brought an action against the corporation for back pay.

In the trial court prior to the introduction of evidence defendant moved that this case be dismissed, first for lack of jurisdiction, and second because plaintiff's bill of complaint did not state a cause for action. Both were denied. The case went to full hearing following which the court decreed that the plaintiff corporation was the true owner of the patent and that defendant should assign his interest therein to the corporation. From that decree and the order denying his noted preliminary motions defendant has appealed.

In his first 2 allegations of error defendant-appellant claims that the trial court was without jurisdiction to hear this case because it involves a patent. The extent of a state court's jurisdiction in that field is thoroughly reviewed and explained in Spring & Wire Corp. vs. Falls, 293 Mich. 602, and even more thoroughly discussed in 167 A. L. R. 1114. A prolonged discussion here would serve only to unduly lengthen this opinion. The correct rule (and the one prevailing in Michigan) is set out in that annotation at p. 1118 as follows:

"The key to the correct rule is the distinction between a 'case' arising under the patent laws and a 'question' arising under those laws." Pratt v. Paris Gas Light & Coke Co. (1897), 168 U. S. 255, 42 L. ed. 458, 18 S. Ct. 62.

"Reduced to its lowest terms, the correct rule is that if the plaintiff founds his suit directly on a breach of some right created by the patent laws, he makes a case arising under those laws and only a Federal court has jurisdiction; but if he founds his suit on some right vested in him by the common law, or by general equity jurisprudence, he makes a case arising under state law and only a state court has jurisdiction. In this respect it is to be remembered that there is no Federal common law or equity law. These are the juridical attributes of the localities. Their principles, when administered in a Federal court, are derived from the respective peoples of the states. A case founded on a principle of tort, contract, or equity law is a case arising under state law. And whichever court has jurisdiction by reason of the nature of the cause of action advanced by the plaintiff, that court may decide such issues as arise incidentally to a decision. If a plaintiff sues in a Federal court for infringement, and the defendant sets up rights under a contract, the court may reach its conclusion upon an issue of contract law. If the plaintiff sues in a state court for breach of a contract, the state court may decide an issue raised as to the validity or coverage of a patent, and even submit a question of priority to a jury. If the action be for breach of a contract to sell the plaintiff a valid patent, the state court may decide the validity of the patent. This is the almost universal rule."

There is nothing in the bill of complaint to suggest that the instant case is one based upon a right derived from the federal patent laws. Rather it appears to be a common law equity action to determine ownership of a patent and involves the federal patent laws only obliquely and incidentally. Under the above quoted rule such an action is

treated no differently, in regard to jurisdiction, than an action to determine the ownership of any other kind of personal property. Therefore the trial court properly took jurisdiction of the cause.

Appellant's third and fourth questions on appeal are:

"III.

"Where bill of complaint in suit to establish employer's ownership of patents applied for and obtained by employees alleges patent was developed by employees on company time and at company expense but does not allege that employees were hired, either expressly or impliedly, for their inventive genius or to develop patentable items was defendant entitled to a dismissal upon his motion made prior to trial?

"IV.

"Did the trial court err in holding that plaintiff's bill of complaint stated a cause for action?"

There being no specific all-purpose test under the modern liberal rules of pleading by which the sufficiency of a bill of complaint can be tested, the determination of that question is often a difficult problem. That problem has not been made less difficult in this case by appellee's total failure to brief the subject. The primary function of a bill of complaint is to apprise the court and the defendant of the grounds or basis of the plaintiff's claim. To do this the plaintiff must allege all of the necessary facts upon which he bases his cause of action. Failure to state those facts, or others from which they might reasonably be inferred, is failure to state a cause of action. So tested we examine the relevant portions of the bill of complaint in the instant case:

"II.

"That it is a successor company to the A & C Engineering Company, a co-partnership composed of George L. Atherholt, Sr., John A. Coletti, and George L. Atherholt, Jr., which prior thereto had been a co-partnership consisting of George L. Atherholt, Sr., and John A. Coletti.

"That all of said co-partnership's assets were successively transferred one to the other and to the corporation on organization.

"That George L. Atherholt, Jr., on organization of the corporation, became the owner of fifteen per cent of the common stock thereof. That under date of April 14, 1955, George L. Atherholt, Jr., did sell and assign and transfer unto George L. Atherholt, Sr., all his interest in and to the A & C Engineering Company, a Michigan Corporation, and did prior thereto terminate his employment with the Corporation and is not now employed by it.

"III.

"That in the year 1952, and prior thereto, George L. Atherholt, Sr. became the inventor of a certain tool known as the hydrostatic holding device, for which a patent application was made to the U. S. Patent Office, said application being signed by George L. Atherholt, Sr. and George L. Atherholt, Jr. That said invention was made, their patent application filed and the aforesaid partnership was in existence then and both parties were in the employ of the partnership. That subsequently, a patent was issued under date of May 6, 1956, No. 2,744,756. That all the development work was performed and paid for by the partnership and all expenses in applying for and obtaining the patent were paid for by the partnership.

"IV.

"That this Corporation and the predecessors of the partnership have spent many thousands of dollars in the development of the above mentioned hydrostatic holding device, and said holding device has been in the past and is the principal product of the corporation.

" • • •

"VI.

"That George L. Atherholt, Jr., Defendant herein, refuses to join in the assignment with George L. Atherholt, Sr., in assigning said patent to the Plaintiff on the records of the U. S. Patent office.

"• • •

"XI.

"That early in the year of 1953, George L. Atherholt, Sr., John A. Coletti and George L. Atherholt, Jr. did individually make a written assignment transferring to the A & C Engineering Company the whole right, title and interest in and to said invention as described in the Patent application, which the Defendant was to deliver to the Plaintiff's patent attorney for filing in the U. S. Patent office.

"WHEREFORE Plaintiff prays • • •

"That the Defendant may be required to assign any right, title and interest claimed by the Defendant in and to the patent and patent applications aforesaid to the Plaintiff.

"That the Plaintiff may be decreed to be the sole owner of the aforesaid patents and patent applications and the name Hydra-Lock Co. and that the Defendant may be required to assign the same to the Plaintiff and discontinue the use thereof.

"That the Plaintiff may have such other and further decrees in the above matter as may be equitable."

There is authority in Michigan that in the absence of an express agreement to the contrary inventions belong to the inventor-employee rather than his employer, and that the employer is entitled only to a "shop-right" therein, notwithstanding that the invention was conceived, developed and patented on the employer's time and at its expense. See *Detroit Testing Laboratory vs. Robison*, 221 Mich. 442; *Gear Grinding Mach. Co. vs. Stuber*, 282 Mich. 455; and 16 *A. L. R.* 1181 and supplemental annotations.

The entire thrust of the present bill of complaint is that the invention is and always had been the property of the corporation. The failure specifically to allege an agreement (notwithstanding the necessity of later proving such an agreement) between the parties that the corporation was to be the owner of the invention does not in itself necessarily make the bill insufficient. It is sufficient that such an agreement or understanding can fairly be inferred from the facts pleaded. (See 2 *Callaghan's Michigan*

Pleading and Practice, §23.07). We think no other inference can follow a fair reading of the bill in this case.

We note further that the proofs adequately sustain such an agreement or understanding* and that this Court therefore has the power upon review to treat the bill of complaint as amended so as to include an allegation of such. (See 8 *Callaghan's Michigan Pleading and Practice*, §56.69 and 2 *Callaghan's Michigan Pleading and Practice*, §27.31). Under such conditions we are not moved to reverse this or any other case on such a narrow technical ground.

Appellant's last 2 questions on appeal pertain to the sufficiency of plaintiff's proofs. Although we hear such matters *de novo*, on the record, great weight is given to the chancellor's findings of facts. (See *Krachun vs. Krachun*, 355 Mich. 167). Having carefully studied the record, and particularly the many exhibits therein, we are of the opinion that the plaintiff's proofs are more than adequate to substantiate the findings and decree. Further illustrative discussion of the facts is not necessary.

The decree of the trial court is affirmed with costs to appellee.

That defendant himself so understood the arrangement we think is conclusively shown by a letter he wrote Coletti before he left the company, writing in part as follows: " * * this Expanding Arbor is a very vital part of our business * * * with the proper handling it should prove of value to A & C. * * * I do feel that we are covered with what patents we have applied for, * * * Also, I feel that we should consider using the name of HYDRALOCK TOOL AND ENGINEERING COMPANY. The reason being that the arbor and expanding business is going to be the future business of A & C * * *."

APPENDIX B

Applicable provisions of *U. S. C.*, Title 35.

Section 101: Inventions patentable

> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Section 102: Conditions for patentability; novelty and loss of right to patent

> A person shall be entitled to a patent unless —
>
> * * *
>
> (f) he did not himself invent the subject matter sought to be patented, —
>
> * * *

Section 111: Application for patent

> Application for patent shall be made by the inventor, except as otherwise provided in this title, in writing to the Commissioner. Such application shall include: (1) a specification as prescribed by section 112 of this title; (2) a drawing as prescribed by section 113 of this title; and (3) an oath by the applicant as prescribed by section 115 of this title. The application must be signed by the applicant and accompanied by the fee required by law.

Section 112: Specification

> The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

Section 115: Oath of applicant

The applicant shall make oath that he believes himself to be the original and first inventor of the process, machine, manufacture, or composition of matter, or improvement thereof, for which he solicits a patent; —

* * *

Section 116: Joint Inventors

When an invention is made by two or more persons jointly, they shall apply for patent jointly and each sign the application and make the required oath, except as otherwise provided in this title.

If a joint inventor refuses to join in an application for patent or cannot be found or reached after diligent effort, the application may be made by the other inventor on behalf of himself and the omitted inventor. The Commissioner, on proof of the pertinent facts and after such notice to the omitted inventor as he prescribes, may grant a patent to the inventor making the application, subject to the same rights which the omitted inventor would have had if he had been joined. The omitted inventor may subsequently join in the application.

Whenever a person is joined in an application for patent as joint inventor through error, or a joint inventor is not included in an application through error, and such error arose without any deceptive intention on his part, the Commissioner may permit the

application to be amended accordingly, under such terms as he prescribes.

Section 145: Civil action to obtain patent

An applicant dissatisfied with the decision of the Board of Appeals may unless appeal has been taken to the United States Court of Customs and Patent Appeals, have remedy by civil action against the Commissioner in the United States District Court for the District of Columbia if commenced within such time after such decision, not less than sixty days, as the Commissioner appoints. The court may adjudge that such applicant is entitled to receive a patent for his invention, as specified in any of his claims involved in the decision of the Board of Appeals, as the facts in the case may appear and such adjudication shall authorize the Commissioner to issue such patent on compliance with the requirements of law. All the expenses of the proceedings shall be paid by the applicant.

Section 255: Certificate of correction of applicant's mistake

Whenever a mistake of a clerical or typographical nature, or of minor character, which was not the fault of the Patent Office, appears in a patent and a showing has been made that such mistake occurred in good faith, the Commissioner may, upon payment of the required fee, issue a certificate of correction, if the correction does not involve such changes in the patent as would constitute new matter or would require re-examination. Such patent, together with the certificate, shall have the same effect and operation in law on the trial of actions for causes thereafter arising as if the same had been originally issued in such corrected form.

Section 256: Misjoinder of inventor

Whenever a patent is issued on the application of persons as joint inventors and it appears that one

of such persons was not in fact a joint inventor, and that he was included as a joint inventor by error and without any deceptive intention, the Commissioner may, on application of all the parties and assignees, with proof of the facts and such other requirements as may be imposed, issue a certificate deleting the name of the erroneously joined person from the patent.

Whenever a patent is issued and it appears that a person was a joint inventor, but was omitted by error and without deceptive intention on his part, the Commissioner may, on application of all the parties and assignees, with proof of the facts and such other requirements as may be imposed, issue a certificate adding his name to the patent as a joint inventor.

The misjoinder or nonjoinder of joint inventors shall not invalidate a patent, if such error can be corrected as provided in this section. The court before such matter is called in question may order correction of the patent on notice and hearing of all parties concerned and the Commissioner shall issue a certificate accordingly.

Section 282: Presumption of validity; defenses

A patent shall be presumed valid. The burden of establishing invalidity of a patent shall rest on a party asserting it.

* * *